



Ministry  
of  
Revenue

Bud Gregory  
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## Retail Sales Tax Branch

# Information Bulletin

Retail Sales Tax Act

Number 2 - 84

Date: December, 1984

Government  
Publications

This bulletin outlines some recent changes to the retail sales tax regulations and provides clarification in other areas of the legislation.

To be sure of the tax application in a specific case, please refer to the Retail Sales Tax Act and Regulations or contact your local Retail Sales Tax Office for further information.

## INFORMATION HIGHLIGHTS

- MINERAL WATER, SODA WATER, ETC. — CONDITIONAL EXEMPTION
- CUT NATURAL CHRISTMAS TREES — EXEMPTION
- NOTICE OF OBJECTION — TIME LIMIT EXTENDED
- TAXATION OF MICROFILM AND MICROFICHE
- REVISED TAX TREATMENT OF COMPRESSED GAS CYLINDERS
- OUT-OF-PROVINCE PURCHASERS
- EXEMPTIONS FOR STATUS INDIANS — FEDERAL IDENTIFICATION CARD
- UNDERSTANDING ONTARIO SALES TAX
- PRINTING FORMULA — CLARIFICATION
- TAX RATES
- RETAILERS OF TOBACCO PRODUCTS



### MINERAL WATER, SODA WATER, ETC. — CONDITIONAL EXEMPTION

Effective September 13, 1984, retail sales tax does not apply to the sale of mineral water, soda water, sparkling water and water when sold in bottles or other types of containers of *more than 1 litre each*.

The sale of these items in containers of 1 litre or less is taxable as soft drinks.

This policy change is designed to remove confusion facing vendors and consumers regarding the application of tax to mineral and other similar waters. The tax status of these items is now determined by the size of the container.



### CUT NATURAL CHRISTMAS TREES — EXEMPTION

Vendors are reminded that *cut natural* evergreen trees for Christmas decorations are exempt from tax when sold during the month of December. The exemption is provided by an Order in Council.

Artificial trees and other Christmas decorations remain subject to tax.



### NOTICE OF OBJECTION — TIME LIMIT EXTENDED

The time limit allowed for filing a Notice of Objection for a tax assessment or a disallowance of refund claim has been increased from 90 days to 180 days after the date of the mailing or delivery of the Notice of Assessment or the Statement of Disallowance. The 180 day time limit applies to Notices of Assessment or Statements of Disallowance dated on or after February 15, 1984.

In addition, taxpayers are allowed up to one year from the date of the mailing of the Notice of Assessment or Statement of Disallowance to apply for an extension of the 180 day time limit if the following conditions are met:

- the Notice of Assessment or Statement of Disallowance is issued on or after February 15, 1984;
- the taxpayer sets out reasonable grounds for such an extension in an application to the Minister;

and where the application is made beyond the 180 day period for serving a Notice of Objection,

- the taxpayer is able to provide a satisfactory explanation as to why the request for such an extension was not made within the 180 day time period.





## TAXATION OF MICROFILM AND MICROFICHE

There is some confusion with respect to the tax treatment of microfilm and microfiche produced for sale and/or for own use.

This bulletin clarifies the tax policy that should be followed by the producers and purchasers of microfilm and microfiche effective October 1, 1984.

The production of microfilm/microfiche is a manufacturing process whether produced for sale or own use. This holds true if the microfilm/microfiche is done separately or as part of and in connection with data processing services. Tax must be applied on microfilm/microfiche produced for sale or for own use as follows:

### Microfilming For Sale — In Excess of \$5,000 Per Annum

The producer is required to collect and remit retail sales tax on the charges for microfilm/microfiche.

Charges for data processing are exempt, if segregated on the billing. If, however, only one price is stipulated for both the data processing and microfilming services, tax applies to the total charge.

Where sales of microfilm/microfiche exceeds \$5,000 per annum, the raw materials, consumable materials and production machinery used in the microfilming operation may be purchased exempt from tax. If the \$5,000 annual sales volume is not met, the microfilmer is required to pay tax on production machinery and consumable materials. The raw materials may be purchased exempt from tax.

### Microfilming For Own Use — Over \$50,000 Per Annum

If the value of microfilm/microfiche produced for own use exceeds \$50,000 per year, the microfilmer should:

- account for and remit tax on the produced cost of the microfilm/microfiche i.e. the total cost of materials, direct labour, factory overhead and the applicable federal sales tax
- purchase raw materials, consumable materials and production machinery exempt from tax.

If the \$50,000 annual production volume is not met, the microfilmer is required to pay tax only on the cost of raw materials, consumable materials and production machinery purchased.



## REVISED TAX TREATMENT OF COMPRESSED GAS CYLINDERS

### Portable Cylinders

Portable gas cylinders used to contain compressed gases, such as oxygen, acetylene and propane, are usually leased to customers under an agreement.

Effective October 1, 1984, the periodic charges for the use of these cylinders are subject to tax. The terminology often used to describe such an agreement or charge, such as "loan agreement", "demurrage agreement" or "demurrage charge", does not alter this fact. Tax also applies to any charges associated with the rental of the cylinders, such as maintenance and handling, as well as to any amount paid to exercise an option to purchase the cylinders at the end of the lease.

The lessor may purchase or lease these portable cylinders from a supplier exempt from tax by supplying him with a purchase exemption certificate. All parts, materials and labour to repair these cylinders may also be obtained exempt from tax.

### Stationary Bulk Installations

Effective May 14, 1982 these units are deemed to be fixtures and tax does not apply to rental charges for the use of such facilities. The lessor is required to pay tax on the purchase of such units.

### Non-Returnable Cylinders

All disposable types of cylinders (those sold with the product they contain and not intended to be returned for reuse) may be purchased by the seller of compressed gases exempt from tax as items for resale under a purchase exemption certificate.





## OUT-OF-PROVINCE PURCHASERS

Many Ontario vendors, especially automobile dealers, furriers and department stores, make retail sales to persons who are not residents of Ontario. In most cases, the non-residents take delivery of the goods in Ontario. The Ontario vendor must charge tax on goods delivered in Ontario.

The non-resident purchaser may apply for a refund of the tax paid if the goods are removed from Ontario within 30 days of the date of purchase for permanent use outside Ontario. The refund application must be submitted within three years from the date of purchase.

Where the goods are shipped out of the province by the vendor, no tax is required to be charged. Supporting documentation, such as freight invoices, bills of lading, custom documents, etc., must be kept to establish the out-of-province shipment.



## EXEMPTIONS FOR STATUS INDIANS — FEDERAL IDENTIFICATION CARD

Status Indians living on reserves may purchase and take delivery of personal goods off reserves for consumption on reserves exempt from tax. To obtain the exemption, the status Indian must show his/her Federal Identification Card (Certificate of Indian Status) to the vendor. This card is issued by the federal Department of Indian and Northern Affairs and is *the only card* recognized by the Retail Sales Tax Branch for this purpose. Under no circumstances should a vendor make exempt sales to status Indians on the basis of cards issued by anyone other than the federal Department of Indian and Northern Affairs.

For additional information about sales to status Indians and a specimen of the Federal Identification Card, see Sales Tax Guide 149, "Status Indians", available at your local Retail Sales Tax Office.



## UNDERSTANDING ONTARIO SALES TAX

A number of publications and services are available to assist you in your understanding of the Retail Sales Tax Act.

### Ontario Sales Tax Publications

The Retail Sales Tax Branch produces a variety of publications including a 100 series and a 700 series of Sales Tax Guides.

The 100 series of guides provide sales tax information on a wide range of subjects of general interest such as vendor responsibilities, tax refunds, exempt items for the disabled, children's clothing and footwear, etc. A complete list of these guides appeared in Information Bulletin No. 1-84 dated June 1984. These guides are available at your local Retail Sales Tax Office.

The 700 series of guides contain sales tax information on topics of interest to specific groups. These guides are produced in limited quantities and are not available for general distribution. Arrangements may be made to obtain copies of these special information guides through your local Retail Sales Tax Office:

<u>Guide No.</u>	<u>Date Issued</u>	<u>Topic</u>
701	September 1984	Taxation on Compressed Gas Cylinders
702	March 1984	Automobile Insurers — Salvaged Motor Vehicles
703	November 1984	Monument Dealers
704	May 1984	Transient Accommodation — Temporary Refund Program For Visitors
705	June 1984	Printing for Own Use

We will continue to add new guides and update earlier issues as necessary.

A new series of booklets is being introduced to provide "one stop shopping" for all information concerning a particular enterprise. The first of these booklets is a "Farmer's Booklet" that will be available in January 1985. This booklet should be of particular interest to farmers and to those persons selling goods or services to farmers.

### Seminars

For a number of years, the Branch has presented retail sales tax seminars for manufacturers, various business groups, trade associations, accountants and lawyers. The purpose of these seminars is to give participants a better understanding of the Retail Sales Tax Act and Regulations and how they apply to their business operations. Opportunity is provided during the seminar for the participants to present their specific tax problems for discussion and answers.

If your organization is interested in presenting a seminar we are prepared to provide literature, audio visual materials and expert speakers for such an event, provided the event is not being staged for profit. For further information, contact the service supervisor at your local Retail Sales Tax Office.

### If You Need Assistance

Representatives of the Retail Sales Tax Branch are available to provide assistance and answer questions relating to retail sales tax. As part of the program to improve services to the public, there are toll free telephone lines to the Retail Sales Tax Offices listed at the end of the bulletin.



## PRINTING FORMULA — CLARIFICATION

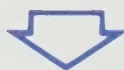
In the article "Printed Matter Produced for Own Use" in the last Information Bulletin No. 1-84 dated June 1984, two formulas were presented for determining the value of artwork and other imaged articles.

The article has given some readers the impression that these formulas are mutually exclusive. We wish to clarify that this is not totally the case.

The "150%" formula for other imaged articles may also be used for artwork. However, the "\$20 per labour hour" formula for artwork is restricted to artwork only.

The method chosen to arrive at the manufactured cost of artwork or imaged articles must be used consistently.





TAX RATES

Many consumers have the misconception that there is only one retail sales tax rate. This is why retail sales tax is sometimes referred to as the "7% tax". There are, in fact, four tax rates prescribed by the Retail Sales Tax Act as follows:

Tax Rate	Area(s) of Application
5%	— transient accommodation i.e. hotel/motel room rental
7%	— all goods other than liquor, beer or wine — prepared food products such as snacks and meals — telecommunication services i.e. telephone/telegraph services, cable/pay T.V., etc. — labour to repair, adjust, install or maintain goods
10%	— alcoholic beverages sold through establishments licensed by the Liquor Licence Board of Ontario (LLBO) — price of admission over \$4.00 per person to a place of amusement such as movie theatre, concert or amusement park
12%	— liquor, beer or wine sold through retail stores.

WARNING

If you sell cigarettes it is your responsibility to ensure that your supplier is licensed to collect Ontario tobacco tax.  
Protect Yourself! — Check your supplier before you buy.

WHY

If you purchase your cigarettes from a supplier who is NOT licensed to collect Ontario tobacco tax, you are liable to a fine of the amount of tax.  
This means that the fine at present is \$5.32 per carton.  
To date, several hundred vendors have been fined, many for substantial amounts for buying from unlicensed wholesalers (those not holding an Ontario Tobacco Tax Wholesale Dealer's Permit).

HOW

1. Ask for your supplier's Ontario Tobacco Tax Wholesale Dealer's Permit Number each time you make a purchase.
2. Check the validity of your supplier's Wholesale Dealer's Permit Number with the Ministry of Revenue by calling:
  - In Metro Toronto — dial 965-8470
  - In Area Code 416 — dial 1-800-263-7700
  - In Area Code 807 — ask the Operator
  - In Area Code 705, 613, 519 — dial 1-800-263-3960 for Zenith 8-2000

FOR FURTHER INFORMATION CONSULT THE DISTRICT OFFICE IN YOUR AREA,  
AS LISTED BELOW:

BELLEVILLE K8N 1E3	208 Dundas Street East 962-9108 Zenith 37100	ORILLIA L3V 6K5	19 Front Street North P.O. Box 670 325-9587 Zenith 37100	THUNDER BAY P7C 5G6	Ontario Government Bldg. 435 James Street South P.O. Box 5000 475-1681 Toll Free: 1-800-465-6903
HAMILTON L8N 3Z9	119 King Street West P.O. Box 2112 521-7504 Toll Free: 1-800-263-9229	OSHAWA L1H 8K1	33 King Street West P.O. Box 629 433-6240 Zenith 37100	TORONTO M4P 1H6	2300 Yonge St. 10th Floor 487-1361
KITCHENER N2M 1N2	449 Belmont Ave. W. 576-8400 Toll Free (519) Area: 1-800-265-8700 Toll Free (705) (416) Areas: 1-800-265-2303	OTTAWA K1H 8K7	1355 Bank Street 523-9760 Zenith 71400	WELLAND L3B 3Z7	76 Division Street 732-1318/9 Toll Free: 1-800-263-9238
LONDON N6C 4P4	310 Wellington Rd. S. 433-3901 Toll Free: 1-800-265-1540	PEEL L4Z 1H8	2 Robert Speck Parkway Suite 350 Mississauga 273-9490 Toll Free: 1-800-268-2968	WINDSOR N9A 6V9	250 Windsor Ave. 252-4404 Toll Free: 1-800-265-1540
NORTH BAY P1B 2H3	1500 Fisher Street Northgate Plaza 474-4900 Toll Free: 1-800-461-1564	SUDBURY P3E 5P9	Ontario Government Bldg. 199 Larch St. 675-4351 Toll Free: 1-800-461-1564		

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